

# Learning from India's Development Cooperation

In recent years, India has substantially increased the levels of its development cooperation. It has streamlined its development cooperation activities and put the principles of South-South Cooperation, including respect for national sovereignty, national ownership and independence, non-conditionality and mutual benefit, into action. India now needs to strengthen and harmonise its institutional mechanisms for development cooperation through clear policy statements. In addition to national foreign policy and economic interests, accountability – to both Indian citizens and recipient countries – should become a cornerstone for planning future development cooperation. Greater engagement with Indian civil society and the Indian media will be critical to this endeavour.

Countries such as India, China and Brazil are playing an increasingly important role as new development donors in countries in the global South. High rates of economic growth among the 'rising powers' have allowed their contribution to international development to grow, while at the same time many of the traditional donor countries have experienced a period of recession and scaled back levels of development assistance.

The debate around the growing involvement of the rising powers in development cooperation includes two broad views. The first suggests that their policies are based on the need for raw materials and are leading to the exploitation of low-income countries. The second view argues that the nature of this development cooperation is different from OECD countries, and is based on principles of South-South Cooperation. India has tried to distinguish its own development cooperation from both traditional donors and other rising powers, especially China, by arguing that it is more driven by the idea of mutual benefit for the donor and the recipient.

The core principles underpinning Indian development cooperation are sustainability and inclusivity, non-conditionality, demand driven, and mutually beneficial. The intention is that it should be based on India's own developmental experience and be a contributor to India's soft power.

## India's new development cooperation strategy

India's approach to development cooperation changed substantially in the early 1990s, along with major changes in its economic and foreign policy. It moved away from a mixed, state-led economy towards a capitalist and market-oriented approach. This shift supported India's aspirations for a greater say in the international political sphere, including its campaign for a seat on the UN Security Council.

In his 2003 budget speech, finance minister, Jaswant Singh, announced a new development assistance strategy that would:

- provide relief to a select number of bilateral partners using small assistance packages

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- consider debt relief packages for those Heavily Indebted Poor Countries (HIPC) with substantial overdue payments
- launch the 'India Development Initiative' to provide grants or project assistance to developing countries in Africa, South Asia and other parts of the developing world.

To achieve this strategy, India had to reduce its own aid dependence and only accepted aid from the G8, the European Union, World Bank, International Monetary Fund and a few select bilateral donors such as DFID. India began viewing poorer countries as 'development partners', rather than beneficiaries, thus expanding its notion of development cooperation.

A new division at the Ministry of External Affairs – the Development Partnership Administration (DPA) – was established in 2012 to coordinate and streamline development cooperation activities. The DPA has since become the primary vehicle for delivering India's development assistance.

## Key components of India's current development cooperation approach

1. **International Technical and Economic Cooperation (ITEC).** Launched in 1964, ITEC provides skills training programmes and also handles a range of project-related activities including feasibility studies and consultancy services supporting regional programmes under groupings such as the Economic Commission for Africa and G77, as well as supporting deputations of Indian experts abroad, and study tours. Approximately US\$11m (Rs. 500m) is spent on the ITEC programme annually, with over US\$2bn spent in technical assistance since its establishment.
2. **Export-Import Bank (EXIM) of India.** The bank extends lines of credit (LoC) as a key instrument for facilitating and promoting India's international trade. In 2012, sub-Saharan Africa received almost 50 per cent of the bank's lending, followed by South Asia receiving 39 per cent and the rest of Asia receiving 9 per cent. LoCs have focused

on the power sector, railways, engineering and construction, sugar production, and agriculture and irrigation. India has financed a huge range of projects through such LoCs, representing substantial benefits for recipient countries. However, these are often controversial with national growth being the overriding objective, and little debate over the quality of development that these LoCs are generating.

3. **Trade and investment as part of the 'development compact'.** India has been providing unilateral market access to exports from the least developed countries (LDCs), covering 92.55 per cent of its total global exports. It has also been practising a liberal trade regime with other East Asian countries. The growing trade and investment linkage between India and Africa exemplifies the shift from political engagement to engagement based on economic ties, both by the Indian private sector and joint ventures between Indian and African governments. India's trade with Africa increased substantially from US\$5.5bn in 2001–2 to US\$53.3bn in 2010–11. India's exports to Africa also grew at a brisk 23.1 per cent between 2005 and 2011, which was comparable to the 25.6 per cent export growth achieved by Chinese exports to Africa.
4. **Grants.** India's grants focus largely on education, information technology and other cross-sector projects, and these remain relatively small.

## The growing role of business

Indian business has been supportive of the current framing of development cooperation and has benefited enormously from the new emphasis on trade. Consequently, Indian business and trading interests have diversified, and Indian foreign direct investment and capital is being targeted at those countries also receiving Indian development assistance. Indian business appears to view its relations in the global South as an opportunity to extend its economic reach in Southern markets. There is also widespread support

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among the political classes and bureaucracy for business involvement in development. An example of this is the number of 'public-private partnership' models currently in operation.

In line with the South-South Cooperation principles to which it adheres, the Indian government has recently started advising businesses to follow the rules of the country that they invest in, and to streamline their operations. Indian business claims that their engagement in LDCs (especially in Africa) is long term, commercial and sustainable, with skill development following trade and investment.

Interestingly, this close linkage between development cooperation and business is seen as 'different' from the Western paradigm, as it is based on competitive bidding and is demand driven. However, a clearer policy on assessing demand and the targeting of business and development cooperation efforts is required.

### **The media and public perceptions**

Indian media has been supportive of this private sector-led business engagement in the South, which is surprising given the otherwise low profile of development cooperation in the media. There is a particular interest in China, with China viewed as a competitive threat, and instances where Indian business is being criticised by local interests in recipient countries. On the whole, the media maintains an unmistakeable nationalist stance.

This low level of media debate is mirrored by a lack of public debate. While development cooperation has the stamp of approval from the policy elite, public perceptions do not seem to connect the contradictions inherent in high levels of domestic poverty and a growing aid budget. There is also little engagement among parliamentarians or political parties on development cooperation.

### **The role of civil society**

Many national level civil society organisations (CSOs) have broadly supported development cooperation on the basis of the South-South Cooperation framework, signifying a common, sustainable, socially just approach to international relations. The fact that it is not tied with military aid is instrumental to this support. Many CSOs want to be engaged in development projects and have started discussions with the national government around designing a new cooperative framework.

However, a small number of CSOs have not been so supportive. Their calls for the Indian government to uphold the rights of both its own and recipient country people seem to have been bypassed entirely by the government and also by mainstream CSOs. There is still some way to go in ensuring that autonomy, transparency, participation and accountability are central to Indian development cooperation.

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## Policy recommendations

Making autonomy, transparency and accountability central to Indian development cooperation will require action from the national government, international donors and Indian civil society.

The Indian government will need to consider:

- **Developing and sharing a clearly enunciated policy statement around development cooperation.** This would help clarify doubts expressed by national and international political leaders, policymakers and media regarding India's principles on development cooperation.
- **Systematising and sharing data on development cooperation.** There is a lot of data on multiple initiatives that fall under 'development cooperation'. These range from loan waivers and lines of credit to capacity building initiatives and humanitarian assistance. Separating these under a detailed balance sheet and sharing them openly would help in ensuring transparency.
- **Making decision-making processes around how assistance is targeted more open.** This will be critical in efforts to improve transparency more broadly.
- **Working more closely with civil society organisations and the media.** India's CSOs have valuable experience in undertaking development initiatives and social policy innovations in a domestic context. The involvement of CSOs in aid delivery, especially humanitarian aid assistance, is critical. CSOs and the media can also be involved in disseminating information and generating public dialogue on issues of aid and development cooperation.
- **Making clear rules and guidance for Indian businesses and CSOs abroad.** India has a very positive image among recipient countries and is lauded for its openness and fairness. With the growing role of Indian businesses in India's development cooperation portfolio, it will be important to put in place regulatory mechanisms that ensure that they have a clear social responsibility component, including accountability to local stakeholders, adhering to pro-labour standards and good practices.

International donors will need to consider:

- **Encouraging India to share its experiences.** This could be done through interactions, international conferences, comparative research and experience-sharing conversations.
- **Being open to learning.** International donors need to learn from the experiences of countries like India, accepting that the major paradigm of aid has changed.

Indian civil society will need to consider:

- **Sharing development and social policy experiences.** Indian civil society has a wealth of knowledge and experience in tackling poverty and ensuring sustainable development. They have also been involved in generating several social policy innovations.

## Further reading

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